This is a digital copy of a book that was preserved for generations on library shelves before it was carefully scanned by Google as part of a project to make the world's books discoverable online.

It has survived long enough for the copyright to expire and the book to enter the public domain. A public domain book is one that was never subject to copyright or whose legal copyright term has expired. Whether a book is in the public domain may vary country to country. Public domain books are our gateways to the past, representing a wealth of history, culture and knowledge that's often difficult to discover.

Marks, notations and other marginalia present in the original volume will appear in this file - a reminder of this book's long journey from the publisher to a library and finally to you.

Usage guidelines

Google is proud to partner with libraries to digitize public domain materials and make them widely accessible. Public domain books belong to the public and we are merely their custodians. Nevertheless, this work is expensive, so in order to keep providing this resource, we have taken steps to prevent abuse by commercial parties, including placing technical restrictions on automated querying.

We also ask that you:

+ *Make non-commercial use of the files* We designed Google Book Search for use by individuals, and we request that you use these files for personal, non-commercial purposes.
+ *Refrain from automated querying* Do not send automated queries of any sort to Google's system: If you are conducting research on machine translation, optical character recognition or other areas where access to a large amount of text is helpful, please contact us. We encourage the use of public domain materials for these purposes and may be able to help.
+ *Maintain attribution* The Google "watermark" you see on each file is essential for informing people about this project and helping them find additional materials through Google Book Search. Please do not remove it.
+ *Keep it legal* Whatever your use, remember that you are responsible for ensuring that what you are doing is legal. Do not assume that just because we believe a book is in the public domain for users in the United States, that the work is also in the public domain for users in other countries. Whether a book is still in copyright varies from country to country, and we can't offer guidance on whether any specific use of any specific book is allowed. Please do not assume that a book's appearance in Google Book Search means it can be used in any manner anywhere in the world. Copyright infringement liability can be quite severe.

About Google Book Search

Google's mission is to organize the world's information and to make it universally accessible and useful. Google Book Search helps readers discover the world's books while helping authors and publishers reach new audiences. You can search through the full text of this book on the web at http://books.google.com/

TX
T202..
HARVARD LAW LIBRARY
3 2044 053 329 827

WAR TAX
Revised Edition, 1918

HD
US
973
MOO
HARVARD
LAW
LIBRARY

War Tax

(Revised Edition, 1918)

A complete analysis
of the War Revenue Law
enacted by the
Congress

C#

War Tax

A complete analysis and
Explanation of Normal Taxes and
Special *War Taxes*
now imposed by the Federal Government,
including tables and examples,
applied to
corporations, partnerships,
individuals, etc.

Compiled, charted and edited by
Ewell D. Moore
Attorney-at-Law—Author of "Federal Taxation"
(Member San Francisco Bar)

The information contained in this book is the result of long study, followed by painstaking investigation made by the author in the City of Washington while the War Tax law was in process of enactment. All his statements, tables and examples were gone over and verified by the best tax experts in Washington before they were released for publication.

REVISED EDITION, 1918

S
US
973

Published by
The ten Bosch Company
San Francisco, California

Copyright, 1917, by Ewell D. Moore

Tx
T292w

Table of Contents

JAN 2 1918

WAR TAX

FOREWORD

On October 3, 1917, Congress enacted a revenue law that will bring 7,000,000 persons under the operation of the income tax.

The new law imposes obligations, in connection with many taxes, upon a very large part of the population not heretofore included in the taxable class; so that practically every person receiving an income must inform himself or herself. Persons failing or neglecting to comply with the law are liable to severe penalties.

This analysis of the revenue laws now in effect, is arranged in a form that will make clear to the taxpayer how the taxes are levied, assessed and collected; when they are due, and how and where they must be paid.

It is important to note that the rates given cover the taxes under both the old and the new laws.

There are two income tax laws in effect. The act of October 3, 1917, does not repeal the act of September 8, 1916; the old tax continues in full force and effect. The War Revenue Act carries important amendments to the law of September 8, 1916. The two taxes are, in a sense, separate and distinct, but the new taxes are computed, levied, assessed, collected and paid upon the same basis and under the same regulations as the taxes under the old law.

In addition to the income tax, individuals in business are subject to the Excess Profits tax, provided their net income exceeds $6000. (See Excess Profits Tax for details.)

INDIVIDUAL INCOME TAX

(New law effective as of Jan. 1, 1917.)

Every person, a citizen or resident of the United States, who received more than $1000 net income in the preceding calendar year, if unmarried, and more than $2000, if married, must pay income tax on any sum in excess of these amounts. This income tax applies to every citizen or resident of the United States, as to his or her net income from all sources within and without the United States, and to every non-resident alien, as to his or her net income from sources within the United States, including the interest on bonds, notes and other interest-bearing obligations, not specifically exempted.

INCOME DEFINED—GROSS AND NET

Income includes gains, profits and income from salaries, wages or compensation for personal services of every character, or from professions, vocations, business, trade, commerce or sales, or dealings in property, real or personal, growing out of the ownership or use of or interest in real or personal property; also from interest, rent, dividends, securities, or the transaction of any business carried on for gain or profit, and income derived from any source whatever.

Gross income is the total income from all sources. Net income is that which remains after the deductions herein enumerated are made from the gross.

NORMAL AND ADDITIONAL TAXES DEFINED

The income tax on individuals is divided into two parts, the normal tax and the additional, or surtax. Both are computed upon the net income for the preceding calendar year ending December 31. The normal tax is a fixed rate on the net income above the personal exemptions. The additional, or surtax, is a graduated tax on net incomes above $5000, under the new law, and above $20,000 under the old law. The entire net income, without any deductions, is taken as the basis for the additional tax.

THE RATES

NORMAL TAX

The normal tax on an unmarried person's net income is 2% on the total amount over $1000 and not over $3000, and 4% on the total amount over $3000.

The normal tax on a married person's (or the head of a family) net income is 2% on the total amount over $2000 and not over $4000, and 4% on the total amount over $4000.

PERSONAL EXEMPTIONS

For the purpose of the normal tax only, the following exemptions are allowed:

$1000 for a single person not the head of a family.
$2000 for a married person living with spouse, or the head of a family.
$ 200 for each dependent child under 18 years of age.

EXEMPTIONS BY GUARDIANS

Guardians or trustees may make these personal exemptions as to income derived from the property which such guardian or trustee has in charge, in favor of each ward or cestui que trust; but in no event shall a ward or cestui que trust be allowed a greater personal exemption than is provided in the law, from the amount of net income received from all sources.

EXEMPTION ON ESTATES IN SETTLEMENT

There is also allowed an exemption from the amount of the net income of estates of deceased citizens or residents of the United States during the period of administration or settlement, and of each trust or other estates of citizens or residents, the income of which is not distributed annually or regularly, the sum of $1000.

EXEMPTION AS TO NON-RESIDENT ALIEN

A non-resident alien is not required to pay the 2% additional normal tax imposed by the war revenue law. To compensate for this exemption such non-resident alien is allowed no personal exemption for the purpose of the normal tax of 2% imposed by the law of 1916.

JOINT EXEMPTION

One deduction only, of $4000 (in the form of exemption), can be made from the aggregate amount of income of both husband and wife, if living together. The exemption of $200 for each dependent child under 18, can be deducted by only one parent, in case they make separate returns; or it may be divided between them.

RETURN—WHO MUST MAKE—WHEN

On or before March 1, 1918, and each year thereafter, a true and accurate return under oath, to the Collector of Internal Revenue for the district, must be made by the following persons: .

1. Every unmarried person whose net income equaled or exceeded $1000 for the preceding calendar year.
2. Every married person, living with spouse, or the head of a family, whose net income equaled or exceeded $2000 for the preceding calendar year.
3. Every guardian, trustee, executor, administrator, receiver or conservator, and every person, corporation, or other concern acting in any fiduciary capacity, as to the income of the person, trust or estate for whom or which they act (subject to the provisions which apply to individuals); provided, that the net income amounts to $1000 or more.
4. Every person carrying on business in partnership is liable to income tax in his individual capacity; the return must include the share of the profits of the partnership he would be entitled to if the profits were divided, whether divided or not. (Partnerships may return on the basis of their fiscal year, the same as a corporation.)

Failure to file a return will incur severe penalties (see "Penalties"). If the return is mailed it should be registered, and forwarded so as to reach the collector on or before March 1st. If the person making return has no legal residence or place of business in the United States he will file with the Collector of Internal Revenue at Baltimore, Md.

In case of absence, illness or non-residence of a person, the return may be made by an agent, who is responsible for its correctness. Reasonable extension of time in meritorious cases for filing returns by persons residing or traveling abroad and who are unable to file their return on or before March 1st, will be granted.

PAYMENT OF INCOME TAX

The taxpayer, having filed his return on or before March 1st, will receive on or before June 1st, notice of the amount of tax due. This he must pay on or before June 15th. If not paid on that date he will receive a demand for payment within 10 days, after which 10 days penalty for delinquency attaches.

CAN PAY IN ADVANCE

The Secretary of the Treasury, under rules and regulations prescribed by him, will permit taxpayers liable to income and excess profits taxes, to make payments in advance in installments, or in whole, of an amount not in excess of the estimated taxes which will be due from them. Upon final determination of such taxes actually due, any amount paid in excess will be refunded. If paid in installments at least one-fourth of the estimated tax must be paid before the expiration of 30 days after the close of the taxable year; at least one-fourth within two months after the close of the taxable year; at least one-fourth within four months after the close of the taxable year, and the remainder due, on or before June 15th. Interest on advance payments will be credited. Uncertified checks may be received in payment.

PENALTIES

Refusal or neglect of any taxable person to file a return within the time fixed by law will incur a fine of not less than $20, nor more than $1000, and an increase of tax by 50 per cent.

For making a false return the penalty is a fine not exceeding $2000, or imprisonment not exceeding one year, or both, and an increase of tax by 100 per cent.

"HEAD OF A FAMILY" DEFINED

The "head of a family" is held to be a person who actually supports and maintains one or more individuals who are closely connected with him by blood relationship, relationship by marriage or adoption, and whose right to exercise family control and provide for those dependent individuals is based upon some moral or legal obligation.

EXEMPT INCOME

Income from the following sources is exempt from taxation:

1. Proceeds of life insurance policies paid to individual beneficiaries upon death of insured.
2. Amount received by the insured as return premiums under life insurance endowment, or annuity contracts, either during the term, or at the maturity of the term, or upon surrender of the contract.
3. Value of property acquired by gift, bequest, devise or descent (but income from such property shall be included as income).
4. Interest on obligations of a State or any political subdivision thereof, or on obligations of the United States (which contain no provision specifically subjecting them to taxation), or its possessions, or securities under the Federal Farm Loan act.
5. Compensation of the present President of United States during the term for which he has been elected, and the judges of the Supreme Court and inferior courts of United States now in office, and compensation of all officers and employees of a State or any political subdivision thereof, except when such compensation is paid by the United States Government.

DEDUCTIONS ALLOWED

In computing the net income of a citizen or resident the following deductions are allowed:

1. Necessary expenses actually paid in carrying on any business or trade, not including personal, living or family expenses.
2. All interest paid within the year on indebtedness, except indebtedness incurred for the purchase of obligations or securities, the interest on which is exempt from taxation as income.
3. Taxes paid, including those imposed by the United States (except income and Excess Profits taxes), or of any foreign country, or of any State, county, school district or municipality, not including those assessed against local benefits. ("Local benefits'" means street improvements, sewers, and such like.)
4. Losses actually sustained in business or trade, or from fires, storms, shipwreck or any other casualty, and from theft, when such losses are not compensated for by insurance or otherwise.

   To ascertain losses sustained from the sale or other disposition of property, real, personal or mixed, acquired before March 1, 1913, the fair market price or value as of March 1, 1913, shall be the basis for determining the amount of such loss sustained.
5. In transactions entered into for profit but not connected with the business or trade, the losses actually sustained therein during the year to an amount not exceeding profits arising therefrom. (This refers to speculative losses, and are deductible only in so far as they exceed the profits from similar transactions during the year.)
6. Debts due actually ascertained to be worthless and charged off within the year. Bad debts, to be deductible must be shown to be absolute losses.
7. Reasonable allowance for exhaustion, wear and tear of property from its use or employment in business or trade. (See "Depreciation.")
8. (a) In the case of oil or gas wells, a reasonable allowance for actual reduction in flow and production, to be ascertained not by the flush flow but by the settled production, or regular flow.

   (b) In the case of mines, a reasonable allowance for depletion not to exceed the market value in the mine of the product thereof, which has been mined and sold during the year, such reasonable allowance to be made in cases of both (a) and (b) under regulations prescribed by Secretary of Treasury. (See "Depletion.")

   When the allowances authorized in (a) and (b) shall equal the capital originally invested, or in case of purchase made prior to March 1, 1913, the fair market value as of that date, no further allowance shall be made.

No deduction shall be allowed for money paid out for new buildings, permanent improvement or betterments, made to increase the value of the property and no deduction shall be made for any amount of expense of restoring property or making good the exhaustion thereof for which an allowance is or has been made.

9. Contributions or gifts actually made within the year to corporations or associations organized and operated exclusively for religious, charitable, scientific, or educational purposes, or to societies for the prevention of cruelty to children or animals, no part of the net income of which inures to the benefit of any private stockholder or individual, to an amount not in excess of 15% of the taxpayer's taxable net income as computed without the benefit of this deduction. Such contributions or gifts shall be allowable as deductions only if verified, under rules and regulations prescribed by the Commissioner of Internal Revenue.

CREDITS ALLOWED CITIZENS OR RESIDENTS

(a) In figuring the normal tax only, income embraced in a personal return may be credited with dividends received on stock or from the net earnings of any corporation, joint-stock company or association, trustee, or insurance company, which is taxable upon its net income.

(b) A like credit will be allowed as to the amount of income, the normal tax upon which has been paid or withheld for payment at the source of the income.

Dividends must be included in the gross income, and then after the net income is determined by subtracting the total deductions from gross income, and after credit has been taken for excess profits tax, the dividends may be deducted for the purpose of the normal tax. In computing the additional tax, however, dividends must be included.

DEDUCTIONS AND CREDITS ALLOWED NON-RESIDENT ALIENS

1. Necessary expenses actually paid in carrying on any business or trade conducted in the United States, not including personal, living or family expenses.
2. The proportion of all interest paid on indebtedness (except indebtedness incurred for the purchase of obligations or securities the interest on which is exempt from income tax), which the gross income for the year from sources in the United States bears to the gross income from all sources, within and without the United States.
3. Taxes paid, imposed by the United States (except income and excess profits taxes), its Territories, or possessions, or by any State, county, school district, or municipality, paid within the United States, not including those assessed against local benefits.

The deductions specified in paragraphs 4, 5, 6 and 7, under the heading "Deductions Allowed Citizens or Residents" are also allowed in case of non-resident aliens.

Credit is allowed non-resident aliens, for the purpose of the normal tax only, for the amount received as dividends on stock, or from net earnings of any corporation; also a like credit as to income, the normal tax upon which has been paid, or withheld at the source.

A non-resident alien will be allowed the above deductions and credits only by filing a true and accurate return of his total income from all sources in the United States. In case of failure to file such return the Collector will collect the tax on such income and all his property will be liable to distraint for the tax.

INTEREST ON TAX—FREE BONDS WITHHELD

Income from bonds containing the tax-free covenant are still withheld at the source.

There are two income tax acts now in effect, and the individual, citizen or resident is subject to two normal taxes, of 2% each. The normal tax of 2% imposed by the law of 1917 provides that the deduction at the source requirements shall not apply until January 1, 1918, and that after that date any deduction at the source from the income from individuals shall not be more than 2%. The other 2% of the normal tax is returned and paid by the individual receiving the income. This provision does not affect non-resident alien individuals, because they are not subject to the war normal tax. With reference to citizens or residents, it affects only the income from interest on bonds containing the tax-free covenant.

REPORTS ON PAYMENTS TO INDIVIDUALS

Every corporation, when required, must make a verified statement of the payment of dividends, whether made in cash or in stock, giving the name and address of each stockholder and number of shares owned by each and the years in which the dividends were earned, together with the amounts chargable to the several years. This must be made on the official form furnished by the Collector.

Every person, corporation, or other concern, doing business as a broker must, when required, make a verified statement as to the transactions of customers, giving the name of each customer and the details as to his profits or losses. An official form is furnished for this report.

Every corporation must make a report, under oath, as to all payments of interest on its bonds, regardless of the amount, showing the amount paid each individual, corporation, or other concern, and the name and address of each recipient.

Every person, corporation or other concern, undertaking the collection as a matter of business or for profit, all interest paid upon the bonds of foreign countries, or upon the bonds of foreign corporations, and all dividends paid upon the stock of foreign corporations must make a report under oath, regardless of the amount. This report must show the name and address of each person, corporation or other concern receiving such income, and all other necessary details.

A license must be secured by every person, corporation or other concern undertaking such collections, from the Collector of Internal Revenue.

For refusing or neglecting to supply information regarding payment to others, as provided in the law, the individual is liable to a fine of not less than $200 nor more than $1000.

INFORMATION AT THE SOURCE

The act of October 3, 1917, changes the act of September 8, 1916, as to the withholding at the source of tax due on income of resident taxable persons, and in the place of the old provision, provides for information at the source, wherever the amount of money paid to the taxable person exceeds $800 for any taxable year. The new provision follows:

All persons, corporations, partnerships, associations, and insurance companies, making payment to another person, corporation, or other concern, of interest, salaries, wages, rent, or other fixed or determinable gains, profits, and income (other than payments specified in the exceptions noted in the preceding paragraphs) of $800 or more in any taxable year, are required to render a true return to the Commissioner of Internal Revenue, setting forth the amount of such payments, and the name and address of the recipient of such payment. Such returns are required, regardless of the amounts, in case of payments of interest on bonds and mortgages or deeds of trust or other similar obligations of corporations and other concerns, and in the case of collections of items of interest on the bonds of foreign countries, and interest from the bonds and dividends from the stock of foreign corporations, partnerships, or associations, undertaking as a matter of business or profit the collection of foreign payments of such interest or dividends.

EXAMPLE OF THE NORMAL TAX

Professional man, married, two dependent children under 18:

Gross income	$10,000	Deductions:	
		Business expenses	$2,000
		Interest paid	175
		Local taxes	75
		Loss from fire (uninsured)	500
		Bad debts charged off	200
Deductions	3,250	Depreciation on business car	300
Net income	$ 6,750		$3,250

Compute the tax as follows:

$2,400 exempt ($2,000 personal; $200 for each child).

2,000 @ 2%	$ 40.00
2,350 @ 4%	94.00
Normal tax	$134.00

ADDITIONAL OR SURTAX

The law of 1916 imposes a graduated additional tax on net incomes over $20,000. The act of October 3, 1917, not only increased the old rates on sums above $20,000, but fixed new additional taxes on net incomes in excess of $5000. No deductions or exemptions are allowed in computing the additional tax.

On pages 16 and 17 will be found an income tax table combining the old and new rates on incomes from $2,000 to $1,500,000, inclusive.

EXAMPLE SHOWING COMPUTATION OF NORMAL AND ADDITIONAL TAXES UNDER BOTH LAWS

For a married person, or the head of a family, with no children:
Net income for taxable year (after subtracting deductions allowed).... $100,000

NORMAL TAX COMPUTED

First $2,000 exempt.	
2% on amount by which $ 4,000 exceeds $2,000 (2% on $ 2,000)............	$ 40
4% on amount by which $100,000 exceeds $4,000 (4% on $96,000)............	3,840
Total normal tax	$3,880

ADDITIONAL TAX COMPUTED

(Take the total net income as the basis.)

1% on amount by which $ 7,500 exceeds $ 5,000 (1% on $ 2,500)....	$ 25
2% on amount by which $ 10,000 exceeds $ 7,500 (2% on $ 2,500)....	50
3% on amount by which $ 12,500 exceeds $10,000 (3% on $ 2,500)....	75
4% on amount by which $ 15,000 exceeds $12,500 (4% on $ 2,500)....	100
5% on amount by which $ 20,000 exceeds $15,000 (5% on $ 5,000)....	250
8% on amount by which $ 40,000 exceeds $20,000 (8% on $20,000)....	1,600
12% on amount by which $ 60,000 exceeds $40,000 (12% on $20,000)....	2,400
17% on amount by which $ 80,000 exceeds $60,000 (17% on $20,000)....	3,400
22% on amount by which $100,000 exceeds $80,000 (22% on $20,000)....	4,400
Total tax	$16,180

CORPORATION INCOME TAX

(Act of Oct. 3, 1917, effective as of Jan. 1, 1917.)

DOMESTIC CORPORATIONS—RATES

There are two corporation income tax laws now in effect—the act of September 8, 1916 (herein referred to as the old law) and the act of October 3, 1917 (herein called the new law). The first imposes a tax of 2% on the total net income received in the preceding calendar year of every corporation, joint-stock company, association, or insurance company, organized in the United States.

The new law imposes a tax of 4% on the total net income of the same organizations. The combined rates make a total tax of 6% on the net income of every corporation, joint-stock company, association or insurance company received during the preceding calendar year. No specific exemption is allowed as in the case of individuals. Partnerships are not included in this tax.

FISCAL YEAR RETURN

If the corporation or other concern subject to the tax has fixed its own fiscal year, the tax for such fiscal year ending during the calendar year 1917 will be levied, assessed, collected, and paid only on that proportion of its income for such fiscal year which the period between January 1, 1917, and the end of such fiscal year bears to the whole of such fiscal year.

For example: Suppose a corporation's fiscal year ended October 31, 1917; it would pay on its 1918 return the 2% under the old law for the full twelve months, but would pay the 4% rate on ten months only, that is, from January 1 to October 31, 1917.

CREDIT FOR DIVIDENDS UNDER NEW LAW

The tax imposed under the new law, that is, the 4% rate, is computed, levied, assessed, collected and paid upon the same incomes and in the same mannr as the tax imposed under the old law, as amended, **except:—**

That for the purpose of the new 4% rate, the income of a corporation shall be credited with the amount received as dividends upon the stock or from the net earnings of another taxable corporation. This exception does not apply to the 2% rate under the old law which allows no such credit.

FOREIGN CORPORATIONS—RATES

A total tax of 6% (2% under the old and 4% under the new law) is imposed on the total net income received in the preceding calendar year from all sources within the United States, including interest on bonds, notes or other interset-bearing obligations, by every foreign corporation, joint-stock company, association or insurance company. Included in this tax is income from dividends on capital stock or from net earnings of resident corporations, joint-stock companies, associations or insurance companies, whose net income is taxable under this provision.

TAX ON UNDISTRIBUTED INCOME

An amendment to the act of September 8, 1916, provides that in addition to the income tax there shall be paid an additional tax of 10% on the amount remaining undistributed six months after the end of each calendar or fiscal year of the total net income of every corporation, joint-stock company or association, or insurance company, received during such year, but not including the amount of any income taxes paid by it within the year imposed by the authority of the United States.

EXCEPTION IF USED IN THE BUSINESS

This additional tax of 10% does not apply to that portion of such undistributed net income which is actually invested and employed in the business or is retained for employment in the reasonable requirements of the business, or is invested in obligations of the United States issued after September 1, 1917. If the Secretary of the Treasury ascertains and finds that any portion of the amount so retained at any time for employment in the business is not so employed or is not reasonably required in the business a tax of 15% shall be imposed thereon.

If the corporation has fixed its fiscal year, this tax will apply to the proportion of undistributed net income for the fiscal year and prior to December 31, 1917, which the period between January 1, 1917, and the end of such fiscal year bears to the whole thereof.

EXCEPTION AS TO LIBERTY BONDS

It will be noted that the amendment imposing this new tax of 10% on undistributed income makes an important exception as to such income actually invested in obligations of the United States issued after September 1, 1917. Apparently Congress had in mind future issues of Liberty Bonds, and this was an invitation to invest in these bonds and thus escape the 10% tax on undistributed surplus.

CONDITIONAL AND OTHER EXEMPTIONS

Income received by the following is not taxable:

1. Labor, agricultural or horticultural organizations.

2. Mutual savings banks not having a capital stock represented by shares.

3. Fraternal beneficiary societies, orders or associations, operating under the lodge system or for the exclusive benefit of the members of a fraternity, itself operating under the lodge system and providing for the payment of life, sick, accident or other benefits to the members.

4. Domestic building and loan associations and co-operative banks without capital stock organized and operated for mutual purposes and without profit.

5. Cemetery companies owned and operated exclusively for the benefit of their members.

6. Corporations or associations organized and operated exclusively for religious, charitable, scientific or educational purposes, no part of the net income of which inures to the benefit of any private stockholder or individual.

7. Business leagues, chambers of commerce or boards of trade, not organized for profit.

8. Civic leagues or organizations not organized for profit, but operated exclusively for the promotion of social welfare.

9. Clubs organized and operated exclusively for pleasure, recreation, and other non-profitable purposes.

10. Farmers' or other mutual hail, cyclone or fire insurance companies, mutual ditch or irrigation companies, mutual or co-operative telephone companies, or like organizations of a purely local character, income of which consists solely of assessments, dues and fees collected from members for sole purpose of meeting expenses.

11. Farmers', fruit growers' or like associations, organized and operated as a sales agent for the purpose of marketing the products of its members and turning back to them the proceeds, less necessary selling expenses.

12. Corporations or associations organized for the exclusive purpose of holding title to property, collecting income therefrom and turning over entire amount thereof, less expenses, to an organization which itself is exempt from the tax.

13. Federal Land banks and National Farm loan associations.

14. Joint-stock Land banks as to income derived from bonds or debentures of other joint-stock land banks or any Federal Land bank belonging to such joint-stock land bank.

There shall not be taxed under this title any income derived from any public utility or from the exercise of any essential governmental function

accruing to any State, Territory, or any political subdivision thereof, nor any income accruing to the Government of the Philippine Islands or Porto Rico, or of any political subdivisions of either.

DEDUCTIONS ALLOWED DOMESTIC CORPORATIONS

In case of a corporation, joint-stock company or association, or insurance company, organized in the United States, the net income is ascertained by deducting from the gross income from all sources, the following:

1. All ordinary and necessary expenses in the maintenance and operation of its business and properties, including rentals or other payments required as a condition to continued use of property to which the corporation has not taken title or in which it has no equity.

2. All losses actually sustained charged off within the year and not compensated by insurance or otherwise, including a reasonable allowance for exhaustion, wear and tear of property, arising out of its use in the business or trade. (See "Depreciation.")

(a) In case of oil or gas wells a reasonable allowance for actual reduction in flow and production, to be ascertained not by the flush flow, but by the settled production or regular flow.

(b) In case of mines a reasonable allowance for depletion, not to exceed the market value in the mine of the product which has been mined and sold during the year. (See "Depletion.") Provided that no deduction shall be allowed for any amount paid out for new buildings, permanent improvements or betterments made to increase the value of any property or estate.

3. Interest paid within year on indebtedness (except indebtedness incurred for purchase of obligations or securities the interest upon which is exempt from tax) to an amount of such indebtedness not in excess of the sum of the entire amount of paid-up capital outstanding at close of year, or, if no capital stock, entire amount of capital employed in the business at close of year and one-half its interest-bearing indebtedness then outstanding.

4. Taxes paid within year imposed by authority of United States (except income and excess profits taxes), or of its Territories, or possessions, or any foreign country, or by any State, county, school district or municipality, or other taxing subdivision of any State, not including those assessed against local benefits.

INTEREST DEDUCTIONS

Where shares of capital stock are issued without par or nominal value, the amount of paid-up capital stock represented by such shares will be the amount of cash or its equivalent paid or transferred to the corporation as consideration for such shares.

Preferred capital stock is not considered interest-bearing indebtedness and interest or dividends paid on this stock is not deductible from the gross income.

In case of indebtedness wholly secured by property collateral, tangible or intangible, the subject of sale or hypothecation in the ordinary business as a dealer only in property constituting such collateral or in loaning the funds thus procured, the total interest paid within the year on such indebtedness may be deducted as part of its expense of doing business. Interest on such indebtedness is only deductible on the amount thereof not in excess of the actual value of such property collateral.

In the case of bonds or other indebtedness which have been issued with the guaranty that the interest payable thereon shall be free from taxation, no deduction for payment of this tax or any other tax pursuant to such guaranty shall be allowed.

In case of a bank, banking association, loan or trust company, interest paid during the year on deposits or on moneys received for investment and secured by interesting-bearing certificates of indebtedness issued by them shall be deducted.

DEDUCTIONS ALLOWED FOREIGN CORPORATIONS

1. All ordinary and necessary expenses actually paid out of earnings in the maintenance of its property within United States, including rentals and other payments required to be made as a condition to continued use of the property, to which the corporation has not taken title or in which it has no equity.

2. All losses actually sustained within year from business or trade conducted by it within the United States and not compensated for by insurance or otherwise, including reasonable allowance for exhaustion, wear and tear of property arising out of its use or employment in the business or trade.

Deductions in case of oil and gas wells and mines owned by foreign corporations are the same as in the case of domestic corporations.

3. Interest paid on indebtedness (except indebtedness incurred for purchase of obligations or securities the interest upon which is exempt from taxation as income)

not in excess of the proportion of the sum of entire amount of paid-up capital stock outstanding at close of year, or, if no capital stock, the entire amount of capital employed in the business at close of year, and one-half its interest-bearing indebtedness then outstanding, which the gross amount of its income for the year from business transacted and capital invested within the United States bears to the gross amount of income derived from all sources.

4. Taxes paid, imposed by United States (except income and excess profits taxes), or its Territories or possessions, or by any State, county, school district or municipality, or other taxing subdivision of any State, paid within the United States, not including those assessed against local benefits.

"DIVIDENDS" PAID FROM SURPLUS

"Dividends" as used in this title (sec. 31a) means any distribution made, or ordered to be made, by a corporation or other concern out of its earnings or profits accrued since March 1, 1913, and payable to its shareholders, whether in cash or in stock, which stock dividend shall be considered income to the amount of earnings or profits so distributed.

(STOCK DIVIDENDS NOT TAXABLE

The United States Supreme Court on January 7, 1918, decided that stock dividends are not dividends and are not taxable. While the text of the decision is not available at the time of going to press, this is held to cover dividends paid in stock since 1913.)

Any distribution made to shareholders in 1917 or subsequent years shall be deemed to have been made from the most recently accumulated undivided profits or surplus and shall constitute a part of the annual income of the person receiving it, for the year in which received, and be taxed to him at the rates in force for the years in which the profits or surplus were accumulated by the corporation; but nothing herein shall be construed as taxing any earnings or profits accrued prior to March 1, 1913, but such earnings or profits may be distributed in stock dividends or otherwise, exempt from the tax, after the distribution of earnings and profits accrued since March 1, 1913, has been made.

STATUTE INVOLVED

This is the language of the statute as amended by the new act, but it is so involved that only a special ruling will make clear its meaning and direct its application. There are certain requirements as to dividends paid to one corporation from stock held in another corporation, under both laws now in effect, and no official interpretation of this section had been issued at the time of going to press. Unofficially it is held to mean that if the dividends are paid in 1917 they are deemed to have been made from 1916 surplus, so far as that surplus will cover them, and taxed at the 1916 rates. If the 1916 surplus is insufficient, then the remainder must be paid from 1915 surplus, or if that is also insufficient, from the 1914 surplus, and so on. The shareholder is taxed at the respective rates in force for the year such dividends, or part thereof, were earned.

DIVIDEND STATEMENT BY CORPORATIONS

Every corporation or other concern, when required, must render a verified return of its payments of dividends, made in cash or in stock, including names and addresses of stockholders, and number of shares owned by each, and the tax years in which dividends were earned, and the applicable amounts.

BROKERS' REPORTS

Every person doing business as a broker on any exchange or board of trade must, when required, render a verified return showing names of customers, with such details as to profits, losses, or other information that may be required.

INFORMATION AT THE SOURCE

This provision requires all persons, corporations, partnerships and other concerns, making payment to another person, corporation, partnership, association, or insurance company, of any moneys whatsoever (other than the payments specified in the two preceding paragraphs), of $800 or more in any taxable year; or in case of payments made by officers or employees of United States Government, having information as to such payments, to make return setting forth the amount of income, and the name and address of those receiving same.

These returns will be required regardless of the amount, cases of payment of interest on bonds and mortgages, or deeds of trust, or other similar obligations, also

in case of collections (not payable in United States) of interest on bonds of foreign countries; also interest on bonds and dividends on stock of foreign corporations, by all persons making a business of such collections. The name and address of the recipient must be furnished, on demand, by every person or corporation paying the income. This applies to 1917, and every year thereafter, but shall not apply to the payment of interest on obligations of the United States.

CREDIT FOR EXCESS PROFITS TAX

Sums paid as excess profits tax may be credited in the return of income. Nothing in the law shall be construed as taxing income of foreign governments received from investments in the United States, from stocks, bonds or other domestic securities owned by such foreign governments or interest on bank deposits belonging to such governments.

NO DEDUCTION FOR INSURANCE

Premiums paid on life insurance policies covering the lives of officers, employees, or those financially interested in any trade or business conducted by an individual, partnership, corporation, or others, shall not be deducted in computing the net income of such person, corporation or concern, or in computing the profits of such partnership for the purposes of claiming the benefit of the exemption and the deductions allowable in the personal income return.

DEPRECIATION—FUNDAMENTAL PRINCIPLES

The following rules must be taken into consideration in claiming depreciation:

(a) Only such depreciation as results from exhaustion, wear and tear of property, arising out of its use or employment in the business or trade, can be claimed. The property must be used for the purposes of producing income in order to claim depreciation.

(b) Depreciation due to changes of the social or business conditions of the neighborhood, or fluctuations in market value cannot be claimed.

(c) Depreciation in the value of land due to exhaustion, or any other cause, cannot be claimed.

(d) Where there is loss in the value of machinery or any other asset, due to improved machinery or new methods, depreciation cannot be claimed.

(e) If the owner of property, in the course of years, has claimed its full cost as depreciation in his returns, no further claim will be allowed.

RATES OF DEPRECIATION

The rate of depreciation which may be claimed depends upon local conditions, the probable lifetime of the property under normal conditions, and the use to which it is put. No specific rates have ever been established. The law says a "reasonable allowance" may be claimed. To compute the amount, first determine the probable lifetime of the property, then divide its cost by the number of years it will be usable in the business. The result will be the amount which may be claimed each year as a deduction. For example: A frame building, the probable life time of which would appear as 25 years, cost $5000; divide $5000 by 25 and claim $200 each year as depreciation.

It has been estimated that the average lifetime of a frame building is 25 years, a brick building 35 years, a stone building or a steel and concrete building 50 to 100 years; of ordinary machinery ten years; automobiles used for business or farm purposes, and farm tractors, 4 to 5 years.

WITHHOLDING TAXES

All persons, corporations or other concerns paying fixed or determinable income, other than dividends on the capital stock, or from the net earnings of taxable corporations or other concerns, to a non-resident alien individual, is required to deduct and withhold the normal income tax of 2% from the entire amount.

The corporation income tax of 6% must be withheld from payments of interest on bonds, mortgages, or similar obligations of domestic corporations or similar concerns, when made to foreign corporations having no office or place of business in the United States.

When dividends are paid to foreign corporations having no office or place of business in the United States, the normal tax of 2% is withheld.

No tax is to be withheld on income paid to a partnership, either domestic or foreign; nor is the normal tax to be withheld from payments made to a citizen or

resident except that derived from bonds, mortgages or other obligations issued by a corporation which contains a "tax-free" clause. On such the normal tax of 2% is withheld, unless personal exemption is claimed, and then only from the amount paid in excess of the exemption claimed.

A State, county or municipality is not required to withhold any amount of income tax from interest it may pay on its own obligations, even to non-resident aliens.

RETURN—FILING DATE

Return must be made and the tax paid on net income received in each preceding calendar year ending December 31st. Any corporation may designate the last day of any month as the close of its fiscal year, and have the tax payable for the year ending on the last day of the designated month instead of upon December 31st. It must, however, give notice of the day designated to the Collector not less than 30 days prior to March 1st of the year in which return would be filed if made on the basis of the calendar year.

On or before March 1, 1918, and every calendar year thereafter, every corporation, joint-stock company or association, or insurance company (or if it has fixed its own fiscal year, then within 60 days after the close of its fiscal year ending prior to December 31, 1917), must render a true return of its net income. The return must be sworn to by the president, vice-president, or other principal officer, and by the treasurer or assistant treasurer, of the concern.

RECEIVERS OR TRUSTEES

If receivers, trustees in bankruptcy or assignees, are operating a property or business of a corporation they must make returns in same manner as required of such corporation, and pay the tax in the same manner as if assessed directly against the corporation whose business they control.

ASSSESSMENT, NOTICE AND PAYMENT

The tax will be assessed by the Commissioner and the corporation notified of the amount on or before June 1st of each year. The tax must be paid on or before June 15th. If the corporation has fixed its own fiscal year, the tax must then be paid within 105 days after the date on which it is required to file its return.

PENALTIES

Any person, corporation or other concern liable to pay the tax, to make a return or to supply information required, who refuses or neglects to pay such tax, to make such return or to supply such information at the time or times herein specified in each year, shall be liable (except as otherwise specially provided) to a penalty of not less than $20 nor more than $1000.

Any individual or any officer of any corporation, partnership, association or insurance company, required by law to make, render, sign or verify any return or to supply any information, who makes any false or fraudulent return or statement with intent to defeat or evade the tax, is guilty of a misdemeanor, and shall be fined not exceeding $2000, or be imprisoned not exceeding one year, or both.

PARTNERSHIPS

Partnerships, as such, are not required to render annual income tax returns. An amendment in the new law says: "Persons carrying on business in partnership shall be liable for the income tax in their individual capacity, and the share of the profits of the partnership to which any taxable partner would be entitled if the same were divided, whether divided or otherwise, shall be returned for taxation."

While annual returns are not required of a partnership for income tax purposes, a collector may request at any time a true return of a partnership's income. The income from the partnership accrues to the individual partner at the time his distributive interest is determined.

In the returns for income made by individuals, therefore, there should be included such income accruing from the business of the partnership for their business or fiscal year, as ascertained from the books, whether distributed or not.

No tax is to be withheld from income paid to a partnership, either domestic or foreign.

LIBERTY LOAN BONDS

Interest on the first series of Liberty Loan bonds is exempt. Interest on the second series, when held by a corporation, partnership or individual not to exceed in the aggregate $5000, is likewise exempt.

WAR EXCESS PROFITS TAX

(Effective as of Jan. 1, 1917.)

This is a new tax upon excess incomes of corporations and partnerships, and the business of individuals. It is a tax upon net income from **business**; no other income is subject to this tax. The average net profits for the years 1911, 1912, and 1913, called the "Prewar Period," are taken as the basis of deduction in the computation of the excess profits.

In arriving at the excess profits an exemption from the net income, as shown by the income tax returns, of the same percentage of the invested capital as was earned during the prewar period (but not less than 7% nor more than 9% of the actual capital invested) is allowed.

Domestic partnerships and citizens or residents of the United States are allowed, in addition to the percentage deduction, a flat deduction of $6000.

Domestic corporations are allowed, in addition to the percentage deduction, a flat deduction of $3000.

No such deduction is allowed foreign corporations or partnerships, or non-resident alien individuals, but the tax does not apply in cases where the income of such foreign corporation, partnership, or individual is less than $3000.

In no case shall net income for the purpose of this tax, include dividends received from corporations.

All the trades and businesses in which a corporation or partnership is engaged shall be deemed to be a single trade or business, and all its income from whatever source derived shall be deemed to be received from such trade or business.

If Excess Profits taxes were paid under the act of Mar. 3, 1917 (which was repealed) the amount so paid will be credited against the new tax under the act of Oct. 3, 1917.

LIABILITY FOR TAX

This tax applies to all trades or businesses of whatever description (whether continuously carried on or not) **except:**

(a) Compensation or fees received by officers and employees of the United States, or any State, Territory, the District of Columbia, or any local subdivision thereof.

(b) Corporations exempt from federal income tax under the act of Sept. 8, 1916, as amended, and partnerships and individuals carrying on or doing the same business, or coming within the same description.

(c) Incomes derived from the business of life, health, and accident insurance combined in one policy issued on the weekly premium payment plan.

THE RATES

The tax is levied upon the net income in excess of the deduction allowed, equal to the following percentages of the invested capital for 1917:

Twenty per cent of the amount of the net income in excess of the total deduction and not in excess of fifteen per cent of the invested capital for the taxable year.

Twenty-five per cent of the amount of the net income in excess of fifteen per cent and not in excess of twenty per cent of such capital.

Thirty-five per cent of the amount of the net income in excess of twenty per cent and not in excess of twenty-five per cent of such capital.

Forty-five per cent of the amount of the net income in excess of twenty-five per cent and not in excess of thirty-three per cent of such capital.

Sixty per cent of the amount of the net income in excess of thirty-three per cent of such capital.

The following tabular statement presents these rates in condensed form:

Percentage of Deduction.	Tax Rate.
More than the deduction and not more than 15% of such capital	20%
More than 15% and not more than 20% of such capital	25%
More than 20% and not more than 25% of such capital	35%
More than 25% and not more than 33% of such capital	45%
More than 33% of such capital	60%

DEDUCTIONS ALLOWED

(a) Domestic corporations are allowed a flat deduction of $3000, and an amount equal to the same percentage of the invested capital for the taxable year which the average amount of annual net income of the trade or business during the prewar period was of the invested capital for the prewar period (but not less than 7% nor more than 9% of the invested capital for the taxable year). (See examples 1, 2, 3 and 5.)

(b) Domestic partnerships, or citizens, or residents are allowed a flat deduction of $6000, and an amount equal to the same percentage of the invested capital for the taxable year which the average amount of the annual net income of the trade or business during the prewar period was of the invested capital for the prewar period

(but not less than 7% nor more than 9% of the invested capital for the taxable year). (See example 4.)

(c) Foreign corporations, partnerships, or non-resident alien individuals are allowed as a deduction, an amount ascertained in the same manner as in paragraphs (a) and (b) above, but without any exemption of $3000 or $6000.

(d) If the Secretary of the Treasury is unable satisfactorily to determine the average amount of the annual net income of the trade or business during the prewar period, the deduction shall be (1) an amount equal to the same percentage of its invested capital for the taxable year which the average deduction (determined as in (a) and (b) without including the $3000 or $6000 therein referred to) for such year of representative corporations, partnerships or individuals, engaged in a like or similar trade or business, is of their average invested capital for such year, plus (2) in the case of a domestic corporation $3000, and in the case of a domestic partnership, or a citizen or resident, $6000.

IF NOT IN BUSINESS BEFORE 1914

If a corporation or partnership was not in existence, or an individual was not engaged in business during the whole of any calendar year of the prewar period, the deduction shall be 8% of the invested capital for the taxable year, plus in the case of a domestic corporation $3000, and in the case of a domestic partnership, or a citizen or resident of the United States, $6000.

In case of a foreign corporation, or partnership, or non-resident alien, the net income from sources in the United States during the year is used as the basis of computation.

IN CASE OF REORGANIZATION

A trade or business carried on by a corporation, partnership, or individual, although formally organized or reorganized on or after Jan. 2, 1913, which is substantially a continuation of a trade or business carried on prior to that date, shall be deemed to have been in existence prior to that date, and the net income and invested capital of its predecessor prior to that date shall be deemed to have been its net income and invested capital.

SUBNORMAL PROFITS

If the Secretary of the Treasury, upon complaint, finds either—

(1) That during the prewar period a domestic corporation or partnership, or a citizen, or resident of the United States, had no net income from the trade or business, or,

(2) That during the prewar period the percentage, which the net income was of the invested capital, was low as compared with the percentage which the net income during such period of representative corporations, partnerships and individuals engaged in a like or similar trade or business, was of their invested capital, then the deduction shall be an amount equal to the same percentage of its invested capital for the taxable year which the average deduction (determined in the manner heretofore set forth) for such year of representative corporations, partnerships or individuals engaged in a like or similar trade or business, is of their average invested capital for such year, plus, in the case of a domestic corporation, $3000, and in the case of a domestic partnership, or a citizen, or resident of the United States, $6000.

In cases where the Secretary of the Treasury is unable satisfactorily to determine the invested capital the amount of the deduction shall be determined in the manner set forth in the foregoing paragraph.

This means that where a concern through accident or misfortune made subnormal profits during the prewar period as compared with its competitors, such concern shall be placed upon the same basis with its more fortunate competitors.

CLAIM FOR ABATEMENT

The tax shall be assessed upon the basis of the deduction determined, as illustrated in examples 1, 2, 3, 4, 5 and 6 (hereinafter shown), but the taxpayer claiming the benefit of the subnormal provisions may, at the time of making his return, file a claim for abatement of the amount by which the tax so assessed exceeds the tax that would be payable under the subnormal provision. In such event collection of the part of the tax covered by such claim for abatement shall not be made until the claim is decided, but the Commissioner of Internal Revenue may require the claimant to give a bond conditioned for the payment of any tax found to be due, with interest thereon. If such bond satisfactory to the Commissioner is not given within such time as he prescribes, the full amount of tax assessed shall be collected. Upon final decision if the tax has been overpaid such over-payment shall be refunded.

INCOM

NET INCOME	NORMAL TAX		NEW SURTAX RATES ACT OF 1917 BETWEEN $5,000 AND $20,000					Old 1% New 7%	2% 10%	
	New 2%	Old & New 4%	1%	2%	3%	4%	5%	8%	12%	
	On Excess of $2,000	On Excess of $4,000	$5,000 to $7,500	$7,500 to $10,000	$10,000 to $12,500	$12,500 to $15,000	$15,000 to $20,000	$20,000 to $40,000	$40,000 to $60,000	$
$ 2,000	——									
3,000	$20.00									
4,000	40.00									
5,000	40.00	$ 40.00								
7,500	40.00	140.00	$25.00							
10,000	40.00	240.00	25.00	$50.00						
12,500	40.00	340.00	25.00	50.00	$75.00					
15,000	40.00	440.00	25.00	50.00	75.00	$100.00				
20,000	40.00	640.00	25.00	50.00	75.00	100.00	$250.00			
25,000	40.00	840.00	25.00	50.00	75.00	100.00	250 00	$ 400.00		
30,000	40.00	1,040.00	25.00	50.00	75.00	100.00	250.00	800.00		
40,000	40.00	1,440.00	25.00	50.00	75.00	100.00	250.00	1,600.00		
50,000	40.00	1,840.00	25.00	50.00	75.00	100.00	250.00	1,600.00	$1,200.00	
60,000	40.00	2,240.00	25.00	50.00	75.00	100.00	250.00	1,600.00	2,400.00	
70,000	40.00	2,640.00	25.00	50.00	75.00	100.00	250.00	1,600.00	2,400.00	$1,1
80,000	40.00	3,040.00	25.00	50.00	75.00	100.00	250.00	1,600.00	2,400.00	3,
90,000	40.00	3,440.00	25.00	50.00	75.00	100.00	250.00	1,600.09	2,400.00	3,
100,000	40.00	3,840.00	25.00	50.00	75.00	100.00	250.00	1,600.00	2,400.00	3,
110,000	40.00	4,240.00	25.00	50.00	75.00	100.00	250.00	1,600.00	2,400.00	3,
125,000	40.00	4,840.00	25.00	50.00	75.00	100.00	250.00	1,600.00	2,400.00	3,
135,000	40.00	5,240.00	25.00	50.00	75.00	100.00	250.00	1,600.00	2,400.00	3,
150,000	40.00	5,840.00	25.00	50.00	75.00	100.00	250.00	1,600.00	2,400.00	3,
160,000	40.00	6,240.00	25.00	50.00	75.00	100.00	250.00	1,600.00	2,400.00	3,
170,000	40.00	6,640.00	25.00	50.00	75.00	100.00	250.00	1,600.00	2,409.00	3,
180,000	40.00	7,040.00	25.00	50.00	75.00	100.00	250.00	1,600.00	2,400.09	3,
200,000	40.00	7,840.00	25.00	50.00	75.00	100.00	250.00	1,600.00	2,400.00	3,
225,000	40.00	8,840.00	25.00	50.00	75.00	100.00	250.00	1,600.00	2,400.00	3,
250,000	40.00	9,840.00	25.00	50.00	75.00	100.00	250.00	1,600.00	2,400.00	3,
275,000	40.00	10,840.00	25.00	50.00	75.00	100.00	250.00	1,600.00	2,400.00	3,
300,000	40.00	11,840.00	25.00	50.00	75.00	100.00	250.00	1,600.00	2,400.00	3,
350,000	40.00	13,840.00	25.00	50.00	75.00	100.00	250.00	1,600.00	2,400.00	3,
400,000	40.00	15,840.00	25.00	50.00	75.00	100.00	250.00	1,600.00	2,400.00	3,
450,000	40.00	17,840.00	25.00	50.00	75.00	100.00	250.00	1,600.00	2,400.00	3,
500,000	40.00	19,840.00	25.00	50.00	75.00	100.09	250.00	1,600.00	2,400.00	3,
550,000	40.00	21,840.00	25.00	50.00	75.00	100.00	250.00	1,600.00	2,400.00	3,
600,000	40.00	23,840.00	25.00	50.00	75.00	100.00	250.00	1,600.00	2,400.00	3,
650,000	40.00	25,840.00	25.00	50.00	75.00	100.00	250.00	1,600.00	2,400.00	3,
700,000	40.00	27,840.00	25.00	50.00	75.00	100.00	250.00	1,600.00	2,400.00	3,
750,000	40.00	29,840.00	25.00	50.00	75.00	100.00	250.00	1,600.00	2,400.00	3,
800,000	40.00	31,840.00	25.00	50.00	75.00	100.00	250.00	1,600.00	2,400.00	3,
900,000	40.00	35,840.00	25.00	50.00	75.00	100.00	250.00	1,600.00	2,400.00	3,
1,000.000	40.00	39,840.00	25.00	50.00	75.00	100.00	250.00	1,600.00	2,400.00	3,
1,500.000	40.00	59,840.00	25.00	50.00	75.00	100.00	250.00	1,600.00	2,400.00	3,

On sums between $1,500,000 and $2,000,000, the total rate is 62%, and on sums in excess of $2,000,000 the rate is 63%.

Personal Exemptions: For an unmarried individual, $1,000; for a married individual, or the head of a family, $2,000, and each dependent child under 18 years.

TABLE

TAX RATES UNDER THE ACT OF SEPT. 8, 1916, BEGIN AT $20,000
THE OLD AND THE NEW RATES SEPARATELY AND THE TWO COMBINED

5%	6%	7%	8%	9%	10%	10%	11%		Excess Profits In addition to the Income tax, the Excess Profits tax applies to the net income of individuals in business on sums over $6000, at 8%. Below is shown this tax on the sums given in the first column less $6000
22%	25%	30%	34%	37%	40%	45%	50%	TOTAL INCOME TAX	
27%	31%	37%	42%	46%	50%	55%	61%		
00,000 to 50,000	$150,000 to $200,000	$200,000 to $250,000	$250,000 to $300,000	$300,000 to $500,000	$500,000 to $750,000	$750,000 to $1,000,000	$1,000,000 to $1,500,000		
								$ 20.00	
								40.00	
								80.00	
								205.00	$ 120.00
								355.00	320.00
								530.00	520.00
								730.00	720.00
								1,180.00	1,120.00
								1,780.00	1,520.00
								2,380.00	1,920.00
								3,580.00	2,720.00
								5,180.00	3,520.00
								6,780.00	4,320.00
								8,880.00	5,120.00
								10,980.00	5,920.00
								13,580.00	6,720.00
								16,180.00	7,520.00
,700.00								19,280.00	8,320.00
,750.00								23,930.00	9,520.00
,450.00								27,030.00	10,320.00
,500.00								31,680.00	11,520.00
,500.00	$ 3,100.00							35,180.00	12,320.00
,500.00	6,200.00							38,680.00	13,120.00
,500.00	9,300.00							42,180.00	13,920.00
,500.00	15,500.00							49,180.00	15,520.00
,500.00	15,500.00	$ 9,250.00						59,430.00	17,520.00
,500.00	15,500.00	18,500.00						69,680.00	19,520.00
,500.00	15,500.00	18,500.00	$10,500.00					81,180.00	21,520.00
,500.00	15,500.00	18,500.00	21,000.00					92,680.00	23,520.00
,500.00	15,500.00	18,500.00	21,000.00	$23,000.00				117,680.00	27,520.00
,500.00	15,500.00	18,500.00	21,000.00	46,000.00				142,680.00	31,520.00
,500.00	15,500.00	18,500.00	21,000.00	69,000.00				167,680.00	35,520.00
,500.00	15,500.00	18,500.00	21,000.00	92,000.00				192,680.00	39,520.00
,500.00	15,500.00	18,500.00	21,000.00	92,000.00	$25,000.00			219,680.00	43,520.00
,500.00	15,500.00	18,500.00	21,000.00	92,000.00	50.000,00			246,680.00	47,520.00
,500.00	15,500.00	18,500.00	21,000.00	92,000.00	75,000.00			273,680.00	51,520.00
,500.00	15,500.00	18,500.00	21,000.00	92,000.00	100,000.00			300,680.00	55,520.00
,500.00	15,500.00	18,500.00	21,000.00	92,000.00	125,000.00			327,680.00	59,520.00
,500.00	15,500.00	18,500.00	21,000.00	92,000.00	125,000.00	$27,500.00		357,180.00	63,520.00
,500.00	15,500.00	18,500.00	21,000.00	92,000.00	125,000.00	82,500.00		416,180.00	91,520.00
,500.00	15,500.00	18.500,00	21,000.00	92,000.00	125,000.00	137,500.00		475,180.00	99,520.00
,500.00	15,500.00	18,500.00	21,000.00	92,000.00	125,000.00	137,500.00	$305,000.00	800,180.00	115,520.00

le is based upon a married person's exemption of $2,000. An unmarried person's tax on $1,000 is nothing; on $2,000 it is n the excess of $1000, or $20; on $3,000 it is 2% on the excess of $1,000, or $40. To ascertain the tax on sums over $3,000, single person, use the table above and add $40 to the total tax in each case.

IF NO INVESTED CAPITAL

If a trade or business, occupation or profession, is carried on with no invested capital, or with only a nominal capital, it will pay, in addition to all other taxes, in lieu of the tax imposed by the graduated rates herein specified, a tax of 8% of the net income, in excess of the flat deduction of $3000 allowed a domestic corporation, and in excess of the $6000 allowed a domestic partnership, citizen or resident. (See Example 6.)

INVESTED CAPITAL DEFINED

The most obscure and confusing Section of this complicated tax is that defining "Invested Capital." The taxpayer should be careful to take credit for everything that may be a consideration for the issuance of capital stock. The larger the capital invested, the smaller the tax; the smaller the capital, the greater the tax. In the absence of any ruling by the Treasury Department, the Section is quoted literally.

The term "invested capital" used in this Section does not include money or other property borrowed, or stocks, bonds (other than those of the United States) or other assets, the income from which is not subject to tax under the War Excess Profits Section, and means, subject to the above limitations:

In the case of a corporation or partnership—(1) Actual cash paid in,

(2) Actual cash value of tangible property paid in other than cash for stock or shares in such corporation or partnership at the time of such payment (but in case such tangible property was paid in prior to January 1, 1914, the actual cash value of such property on January 1, 1914, but in no case to exceed the par value of the original stock or shares issued therefor), and

(3) Paid in or earned surplus and undivided profits used or employed in the business, exclusive of undivided profits earned during the taxable year.

Actual cash value of patents and copyrights paid in for stock or shares, at the time of such payment, shall be included but not to exceed the par value of such stocks and shares at the time of such payment.

Good will, trade marks, trade brands, the franchise of a corporation or partnership, or other intangible property, shall be included if the corporation or partnership made payment bona fide therefor specifically as such in cash or tangible property, the value not to exceed the actual cash or actual cash value of the tangible property paid therefor at the time of payment; but good will, trade marks, trade brands, franchises, or other intangible property, bona fide purchased prior to March 3, 1917, for and with interests or shares in a partnership or for and with shares in the capital stock of a corporation (issued prior to March 3, 1917), in an amount not to exceed, on March 3, 1917, 20% of the total interests or shares in the partnership or of the total shares of the capital stock of the corporation, shall be included at a value not to exceed the actual cash value at the time of such purchase, and in case of issue of stock therefor not to exceed the par value of such stock.

In the Case of an Individual:

(1) Actual cash paid into the trade or business,

(2) The actual cash value of tangible property paid into the trade or business, other than cash, at the time of such payment (but if such tangible property was paid in prior to January 1, 1914, the actual cash value on January 1, 1914), and

(3) Actual cash value of patents, copyrights, good will, trade marks, trade brands, franchises, or other intangible property, paid into the trade or business, at the time of such payment, if payment was made therefor specifically as such in cash or tangible property, not to exceed the actual cash value of the tangible property bona fide paid therefor at the time of such payment.

Invested capital for any year means the average invested capital for the year, averaged monthly.

CHANGE OF OWNERSHIP DOES NOT CHANGE CAPITAL

In case of a reorganization, consolidation or change of ownership of a trade or business after March 3, 1917, if an interest or control in such trade or business of 50% or more remains in control of the same persons, corporations, or other concern, then in ascertaining the invested capital of the trade or business no asset transferred or received from the prior trade or business shall be allowed a greater value than would have been allowed under this title in computing the invested capital of such prior trade or business if such asset had not been transferred or received, unless such asset was paid for specifically in cash or tangible property, and then not to exceed the actual cash value of tangible property paid therefor at the time of such payment.

INVESTED CAPITAL—FOREIGN CORPORATION

In case of a foreign corporation or partnership, or a non-resident alien individual, the term "invested capital" means that proportion of the entire invested capital, as

defined and limited above, which the net income from sources in the United States bears to the entire net income.

RETURNS FOR EXCESS PROFITS TAX

Return must be filed not later than March 1, 1918, for the year 1917. It is probable that but one return will be required of the individual for both the Excess Profits and Income Taxes, though no official information as to this was obtainable on January 10, 1918. The partnership, not subject as such to the Income Tax, will file a special return.

A corporation or partnership having a fiscal year must file within sixty days after the close of such fiscal year.

The requirements of the Income Tax law as to the disclosure of liability, payment and penalties, apply to the Excess Profits tax.

This tax does not apply to the Philippine Islands or Porto Rico.

HOW TO DETERMINE EXCESS PROFITS

To determine the excess profits, first ascertain the following facts:

1. The invested capital for the taxable year.
2. Net income for taxable year.
3. Average invested capital for prewar period.
4. Average net income for prewar period.
5. Per cent of prewar profits to capital.
6. Maximum deduction allowed (cannot be more than 9% nor less than 7% of taxable year capital).
7. Subtract the deduction allowed (either 7% or 9% of taxable year capital, plus $3000 or $6000), from the net income. The remainder will be the excess profits. (If the percentage is between 7% and 9% take the actual percentage as the deduction.)

HOW TO COMPUTE THE TAX

Having ascertained the excess profits under the above procedure, compute the tax as follows:

1. Find 15% of the taxable year capital.
2. Subtract this from the total deduction (as determined in 6 and 7 above).
3. The remainder is the sum taxable under the first bracket, at the 20% rate.
4. Next take 5% of the taxable year capital (the difference between 15% and 20%) which sum will come under the 25% tax rate.
5. Again take 5% of capital (the difference between 20% and 25%), which sum is taxed at the 35% rate.
6. Next take 8% of the capital (the difference between 25% and 33%), which sum is taxed at the 45% rate.
7. All over 33% of the capital is taxed at the 60% rate.

The above method assumes that 15% of the invested capital exceeds the total deduction allowed. If such is **not** the case, what then?

Section 201 of the law fixing the rates would seem to limit the percentage deduction to 15% of the capital, and it has been so interpreted by many attorneys and experts. But the Treasury Department, in Treasury Decision No. 2602, dated December 3, 1917, lays down a rule that in effect changes the law. That decision says:

"In any case in which the deduction provided for in Sections 203, 204, 205 or 210, is greater than 15% of the invested capital and therefore cannot be fully allowed under the first rate or bracket of Section 201, then in that event any remaining portion of the deduction will be allowed under the second bracket, and continued, if necessary, into the succeeding bracket or brackets until the entire amount of the deduction is allowed.

ILLUSTRATIONS

"No. 1. An individual or partnership engaged in the manufacturing business with a capital of $30,000 and a net income of $12,000 for the taxable year, an average prewar net income of 9%, or $2,700, and a total deduction of $8,700:

Bracket.	Rate (Per cent).	Amount taxable under each bracket.	Tax.
1st	20	....	....
2nd	25	....	....
3rd	35	....	....
4th	45	$1,200	$ 540
5th	60	2,100	1,260
Total		....	$1,800

"No. 2. A corporation engaged in the manufacturing business with a capital of $30,000 and a net income of $12,000 for the taxable year, an average prewar net income of 9%, or $2,700, and a total deduction of $5,700.

Bracket.	Rate (Per cent).	Amount taxable under each bracket.	Tax.
1st	20	....	....
2nd	25	$ 300	$ 75
3rd	35	1,500	525
4th	45	2,400	1,080
5th	60	2,100	1,260
Total		....	$2,940"

The following statement of Treasury illustration, No. 1 above, will perhaps make the method clear:

A partnership engaged in business with a capital of $30,000, a net income of $12,000 for the taxable year, and an average prewar income of 9% on their capital:

Capital in 1917		$30,000
Net income		12,000
9% deduction	$2,700	
Specific deduction	6,000	
Total deduction		8,700
Excess profits to be taxed		$ 3,300

	Percentage Deduction.		Flat Deduction.	Remainder.		Rate.	Tax.
15% of capital	$4,500	less	$8,700	....	@	20%	....
20% of capital	6,000	less	8,700	....	@	25%	....
25% of capital	7,500	less	8,700	....	@	35%	....
33% of capital	9,900	less	8,700	$1,200	@	45%	$ 540
Excess over 33%				2,100	@	60%	1,260
Total tax							$1,800

EXAMPLES OF EXCESS PROFITS TAX

Below are shown a number of examples of this tax, as applied to corporations and partnerships, and to individuals whose income is from business, or salary, or a profession. As this is a tax on business, the person not in business, and whose income is received from interest or dividends on stocks or bonds, would not be taxable on such income under the Excess Profits provision of the law.

EXAMPLE No. 1—A CORPORATION

To show the application of the tax, let us assume the following conditions:

A corporation with average prewar profits of $10,000, and a profit for the taxable year of $30,000, with a capital of $100,000 for both the prewar period and the taxable year.

Capital for both taxable year and prewar period	$100,000
Average net income for prewar period	10,000
Net income for taxable year	30,000
Per cent of prewar profit to capital, 10%. Maximum deduction, 9% of capital for taxable year ($9,000) and $3,000	12,000
Amount subject to tax	$ 18,000

	Amount Taxable.	Tax Rate.	Tax.
Amount in excess of deduction and not in excess of 15% of capital for taxable year	$ 3,000	20%	$ 600
15% to 20% of such capital	5,000	25%	1,250
20% to 25% of such capital	5,000	35%	1,750
25% to 33% of such capital	5,000	45%	2,250
Totals	$18,000		$5,850

EXAMPLE No. 2—A CORPORATION

If during the prewar period the average net income was less than an amount equal to 7% of the capital for the taxable year the deduction allowed is 7%.

To show the application of this provision, let us assume the following conditions: A corporation with average prewar profits of $5,000 and taxable year profits of $15,000, with a capital for both periods of $100,000.

Capital for both periods	$100,000
Net income for taxable year	15,000
Average net income for prewar period	5,000
Per cent of prewar profits to capital, 5%. Minimum deduction, 7% of capital for taxable year ($7,000) and $3,000	10,000
Amount subject to tax	$ 5,000

	Amount Taxable.	Tax Rate.	Tax.
Amount in excess of deduction and not in excess of 15% of capital for taxable year	$ 5,000	20%	$1,000
Totals	$ 5,000		$1,000

EXAMPLE No. 3—A CORPORATION WITH CHANGE OF CAPITAL

Let us assume conditions involving a change in the amount of capital.

A corporation with prewar profits of $8,000 on a capital of $100,000, and taxable year profits of $25,000 on a capital of $150,000.

Capital for prewar period	$100,000
Capital for taxable year	150,000
Net income for taxable year	25,000
Average net income for prewar period	8,000
Per cent of prewar profits to capital, 8%.	
Per cent of taxable year profits to capital, 16⅔%.	
Deduction, 8% of capital for taxable year ($12,000) and $3,000	15,000
Amount subject to tax	$ 10,000

	Amount Taxable.	Tax Rate.	Tax.
Amount in excess of deduction and not in excess of 15% of capital for taxable year	$ 7,500	20%	$1,500
15% to 20% of such capital	2,500	25%	625
Totals	$10,000		$2,125

EXAMPLE No. 4—A PARTNERSHIP

Partnerships and individuals are allowed a flat deduction of $6,000 in addition to the percentage deduction. Let us assume the following conditions.

A partnership with prewar profits of $12,000 and taxable year profits of $18,000, with a capital of $100,000 for both periods.

Capital for both periods	$100,000
Net income for taxable year	18,000
Average net income for prewar period	12,000
Per cent of prewar profits to capital, 12%.	
Maximum deduction, 9% of capital for taxable year ($9,000) and $6,000	15,000
Amount subject to tax	$ 3,000

	Amount Taxable.	Tax Rate.	Tax.
Amount in excess of deduction and not in excess of 15% of capital for taxable year	....	....	....
15% to 20% of such capital	$ 3,000	25%	$ 750
Totals	$ 3,000		$ 750

EXAMPLE No. 5—A CORPORATION WITH LARGE WAR PROFITS

In order to show the tax on the larger war incomes let us assume the following conditions:

A corporation with prewar profits of $100,000 and taxable year profits of $300,000, with a capital of $1,000,000 for both periods.

Capital for both periods			$1,000,000
Net income for taxable year			300,000
Average net income for prewar period			100,000
Per cent of prewar profits to capital, 10%.			
Maximum deduction, 9% of capital for taxable year ($90,000) and $3,000			93,000
Amount subject to tax			$ 207,000
	Amount Taxable.	Tax Rate.	Tax.
Amount in excess of deduction and not in excess of 15% of capital for taxable year	$ 57,000	20%	$11,400
15% to 20% of such capital	50,000	25%	12,500
20% to 25% of such capital	50,000	35%	17,500
25% to 33% of such capital	50,000	45%	22,500
Totals	$207,000	.	$63,900

EXAMPLE No. 6—AN INDIVIDUAL WITH NO CAPITAL

In case of an individual who receives income not based on invested capital, as salary, or proceeds of a commission business, or of a profession, the war excess profits tax is levied upon the net income less a flat reduction of $6,000, and at a flat rate of 8%. This tax is in addition to his income tax.

Net income from salary, commission or profession	$50,000
Deduction allowed	6,000
Taxable income	$44,000
Rate of tax	8%
Tax	$ 3,520

IMPORTANT OFFICIAL RULINGS

SALARY ALLOWANCES

In computing net income for the purpose of the Excess Profits tax a partnership may deduct as an expense reasonable salaries paid to individual partners for personal services actually rendered during the year, if payments are made in accordance with prior agreements and are recorded on the books. Such salaries cannot be in excess of those paid for similar services by corporations in the same business. As to any period prior to March 1, 1918, where no previous agreement has been made as to salaries or compensation a similar deduction will be allowed for services actually rendered.

A partner in his individual capacity is subject to the Excess Profits tax, if any, at the 8% rate with respect to any salary or compensation from the partnership for personal services (including any amounts allowed to the partnership as a deduction for the period prior to March 1, 1918).

An individual in trade or business having an invested capital may designate a reasonable salary for personal service actually rendered in the business. An individual is, however, subject to the Excess Profits tax, if any, at the 8% rate with respect to the amount so designated, and the balance of the income derived from such trade or business is subject to the graduated rates.

(**Note**: Though no official ruling is available on this point, it is almost certain that the individual will be allowed two deductions of $6000 each in figuring his Excess Profits tax, one on the amount taxable as salary, and the other on the amount of profits from the business.)

Following is an example:

Jones and Brown are equal partners in business. Each draws $10,000 a year as salary from the partnership. After payment of these salaries the partnership has a net income of $20,000, and on this sum the partnership's Excess Profits tax is based.

Jones receives one-half of the $20,000 as his share of the profits, which makes his

total income from the partnership $20,000 for the year. He would base his individual Excess Profits tax computation on the $10,000 received as salary. As far as the $10,000 profits is concerned he would not be regarded "as engaged in trade or business." Brown's position would be the same.

A partner in his individual capacity will not be considered as engaged in trade or business with respect to his share in the profits of the partnership, and consequently will not be subject to the Excess Profits tax thereon. He is, however, subject to this tax, if any, at 8% with respect to any salary from the partnership (including any amounts allowed to the partnership as a deduction for the period prior to March 1, 1918).

A return of invested capital and net income for the prewar period will not be required of a corporation, partnership or individual in the following cases:

1. If the taxpayer accepts the minimum percentage, viz., 7%, as the percentage to be used in computing the deduction under Section 203, or,
2. If the trade or business is taxable only at the 8% rate under Section 209.

"Other tangible property," as used in the Excess Profits sections, means: Stocks, bonds, bills and accounts receivable, notes and other evidences of indebtedness.

DEPLETION

Paragraph 8 of Section 5, Act of September 3, 1916, as amended by the War Revenue Act, fixes the rule for ascertaining the amount of depletion allowable as a deduction. So many factors, however, are to be considered that special rulings of the Department (Treasury Decisions 2446 and 2447) have been issued to cover this.

The amount to be taken care of through depreciation deductions applicable to physical property, other than natural deposits, will always be the capital invested in it, and not a value which may be arbitrarily fixed as of March 1, 1913, or any other date.

In the case of mines (other than oil and gas wells), if the property was acquired prior to March 1, 1913, the amount of invested capital which may be extinguished through annual depletion deduction to the gross income will be the fair market value of the mine property as of March 1, 1913. The value contemplated herein as a basis for depletion deductions, must not be based upon the assumed saleable value of the output under current operative conditions less cost of production for the reason that the value under said costs would comprehend the earning capacity of the property.

Nor must the value be determined as of March 1, 1913, but must be determined upon the basis of the saleable value en bloc as of the date, of the entire deposit of minerals contained in the property owned, exclusive of improvements and development work; that is, the price at which the natural deposits of mineral property could have been disposed of for cash or its equivalent.

The value en bloc, having been thus ascertained, an estimate of the number of units should be made. The value en bloc divided by the estimated number of units in the mine or mining property will determine the per unit value, which multiplied by the number of units mined and sold during any one year, will determine the same, which will constitute an allowable deduction from the gross income of that year on account of depletion.

The value determined and set up as of March 1, 1913, or the cost of the property if acquired subsequent to that date, will be the basis for determining the depletion deduction under all subsequent years during the ownership under which the value was fixed, and during such ownership there can be no revaluation for the purpose of this deduction, if it should be found that the estimated quantity of the mineral deposited was unstated at the time the value was fixed or at the time the property was acquired.

ESTATE TAX

(Rates of taxes on the transfer of net estates under act of Sept. 8, 1916, act of Mar. 3, 1917, and act of Oct. 3, 1917.)

Amount of net estate (an exemption of $50,000 is allowed estates of residents of the United States in computing the value of net estate.)	Rates on net estates at date of death.* Sept. 9, 1916, to Mar. 2, 1917, inclusive. Per cent.	Mar. 3, 1917, to Oct. 3, 1917, inclusive. Per cent.	On and after Oct. 4, 1917. Per cent.
Not exceeding $50,000	1	1½	2
Exceeding $50,000 and not exceeding $150,000	2	3	4
Exceeding $150,000 and not exceeding $250,000	3	4½	6
Exceeding $250,000 and not exceeding $450,000	4	6	8
Exceeding $450,000 and not exceeding $1,000,000	5	7½	10
Exceeding $1,000,000 and not exceeding $2,000,000	6	9	12
Exceeding $2,000,000 and not exceeding $3,000,000	7	10½	14
Exceeding $3,000,000 and not exceeding $4,000,000	8	12	16

Exceeding $4,000,000 and not exceeding $5,000,000......	9	13½	18
Exceeding $5,000,000 and not exceeding $8,000,000......	10	15	20
Exceeding $8,000,000 and not exceeding $10,000,000....	10	15	22
Exceeding $10,000,000	10	15	25

*The tax on the transfer of net estates of decedents dying on and after Sept. 9, 1916, to and including Mar. 2, 1917, shall be computed at the rates prescribed in the act of Sept. 8, 1916.

The tax on the transfer of net estates of decedents dying on and after Mar. 3, 1917, to and including Oct. 3, 1917, shall be computed at the rates prescribed in the act of Mar. 3, 1917.

Exemptions:—An exemption of $50,000 is allowed estates of residents of the United States in computing the value of net estate. The transfer of the net estate of any decedent dying while serving in the military or naval forces of the United States during the present war, or in case of death from injuries or disease contracted in such service, within one year after the termination of the war, is exempt from payment of the **additional tax** imposed by the act of Oct. 3, 1917.

PROCEDURE

The executor or administrator of the estate must give written notice to the Collector of the district where the estate is located, within 30 days after qualifying or coming into possession, of any property of a resident or non-resident decedent, in all cases where the gross estate exceeds $60,000, and in case of a non-resident decedent any part of whose estate is situated in United States.

GROSS ESTATE DEFINED

To determine gross estate, include all real and personal property conveyed by gift or in trust in contemplation of death, and the interest of decedent in property held jointly or as tenants in entirety. Any transfer of a material part of one's estate in the nature of a final disposition, or any distribution made by decedent within two years prior to death, will, unless otherwise shown to the contrary, be deemed to have been made in contemplation of death, and, therefore, subject to the tax.

Stock in a domestic corporation owned and held by a non-resident decedent shall be deemed property within United States, and any property of which decedent has made a transfer or with respect to which he has created a trust, shall be deemed to be situated in United States, if so situated either at the time of transfer or creation of the trust, or at the time of his death.

NET ESTATE DEFINED

The net estate of a resident decedent is determined by deducting from the gross estate funeral and administrative expenses, all claims against estate, unpaid mortgages, losses incurred during settlement when not compensated for by insurance, support during settlement of those dependent upon decedent, and such other charges allowed by the laws of the jurisdiction. An exemption of $50,000 is allowed.

In case of a non-resident decedent, the net estate is determined by deducting from the value of that part of his gross estate which at time of death is situated in United States that proportion of deductions specified above in the foregoing paragraph which the value of such part bears to the value of his entire gross estate wherever situated. No deduction is allowed unless the executor includes in the return the value at time of non-resident's death of that part of the gross estate not situated in United States.

PAYMENT

The tax is due one year after decedent's death. If paid before it is due a deduction of 5% per annum for the period between payment and date due is allowed. If not paid within 90 days after it is due 10% per annum interest will be added from date of decedent's death. If delay is due to litigation, the interest will be 6% from due date until the cause is removed; thereafter at 10%.

The tax must be paid at the office of the Collector of the district where decedent lived, if within United States; otherwise where the gross estate is located. If the estate is located in two or more districts, the tax is payable to the Collector at Baltimore, Md.

The executor must file with the Collector a return, under oath, in duplicate, setting forth the value of gross estate at time of decedent's death, or, in case of a non-resident that part of gross estate situated in United States.

PENALTIES

For knowingly making a false statement or return, a fine not exceeding $5,000, or imprisonment not exceeding one year, or both. If the tax is not paid within 60 days after it is due (that is one year and 60 days after decedent's death) the Collector will,

unless there is cause for further delay, commence proceedings in United States court to sell the property under judgment, and the tax, together with cost and expenses, must be first paid.

TAX ON BEVERAGES

Distilled spirits, rectified spirits, fermented liquors and wines.	Tax under previous laws.	Additional Tax, Act of Oct. 3, 1917.	Total Tax.
Distilled spirits, per proof gallon or wine gallon if below proof	$1.10	$2.10	$3.20
If withdrawn for other than beverage purposes	1.10	1.10	2.20
Stamps for distilled spirits intended for export, each	.10	....	.10
Except when affixed to package containing two or more 5-gallon cans for export	.05	....	.05
Case stamps for spirits bottled in bond	.10	....	.10
Perfume imported containing distilled spirits, per wine gallon (to be collected by collector of customs)	....	1.10	1.10
Grape brandy or wine spirits (to be assessed).			
Used in the fortification of sweet wines, per proof gallon	.10	.20	.30
In sweet wines held for sale by the producer on Oct. 3, 1917, per proof gallon	....	.10	.10
Withdrawn for fortifying wine and not used prior to Oct. 3, 1917, per proof gallon	....	.20	.20
Distilled spirits, **stock on hand:**			
On tax-paid distilled spirits held for sale on Oct. 3, 1917, in any quantity, and by a retailer in excess of 50 gallons, per gallon	....	2.10	2.10
If intended for nonbeverage purposes, per gallon	....	1.10	1.10
Rectified spirits (except gin produced by redistillation), per proof gallon	....	.15	.15
Fermented liquors, per barrel, containing not more than 31 gallons (and a proportionate rate for any other quantity or for fractional parts of a barrel authorized by law	1.50	1.50	3.00

WINES

Still wines, including vermuth, and artificial or imitation wines and compounds sold as wine containing:			
Not more than 14 per cent absolute alcohol per wine gallon	.04	.04	.08
Over 14 per cent but not over 21 per cent alcohol per wine gallon	.10	.10	.20
Over 21 per cent but not over 24 per cent alcohol per wine gallon	.25	.25	.50
Over 24 per cent (classed as distilled spirits) per wine gallon	1.10	2.10	3.20
Champagne or other sparkling wines, per one-half pint or fraction thereof	.03	.03	.06
Artificially carbonated wine, per one-half pint or fraction thereof	.01½	.01½	.03
Liqueurs, cordials, or similar compounds, containing sweet wine, fortified with grape brandy, or wine spirits, per one-half pint or fraction thereof	.01½	.01½	.03

TAX ON SYRUPS, SOFT DRINKS, ETC.

(Act of Oct. 3, 1917.)

Upon all prepared syrups or extracts used in the manufacture of soft drinks:

	Rate per gallon.
If sold for not more than $1.30 per gallon	$0.05
If sold for more than $1.30 and not more than $2	.08
If sold for more than $2 and not more than $3	.10
If sold for more than $3 and not more than $4	.15
If sold for more than $4	.20

Upon all unfermented grape juice, soft drinks, or artificial mineral waters (not

	Rate
carbonated) and fermented liquors containing less than one-half per cent of alcohol, sold by manufacturer, producer, or importer, in bottles or closed containers	.01
Upon all ginger ale, root beer, sarsaparilla, pop, and all other carbonated waters or beverages manufactured and sold by the manufacturer, producer, or importer of the carbonic-acid gas used in carbonating the same	.01
Upon all natural mineral waters or table waters sold by the producer, bottler, or importer thereof, in bottles or other closed containers, at over 10 cents per gallon	.01
Upon all carbonic-acid gas in drums or other containers (intended for use in the manufacture or production of carbonated water or other drinks) sold by the manufacturer, producer, or importer thereof, per pound	.05

TAX ON TOBACCO

Tobacco, snuff, cigars, and cigarettes.	Old Rate.	Rate in effect Oct. 4, 1917.*	Rate in effect Nov. 2, 1917.
A. Cigars weighing more than 3 pounds per 1,000 if manufactured or imported to retail at less than 4 cents each	$3.00	$3.00	$3.00
B. Cigars weighing more than 3 pounds per 1,000 if manufactured or imported to retail at 4 cents or more and not more than 7 cents	3.00	3.50	4.00
C. Cigars weighing more than 3 pounds per 1,000 if manufactured or imported to retail at more than 7 cents and not more than 15 cents each	3.00	4.50	6.00
D. Cigars weighing more than 3 pounds per 1,000 if manufactured or imported to retail at more than 15 cents and not more than 20 cents each	3.00	5.50	8.00
E. Cigars weighing more than 3 pounds per 1,000 if manufactured or imported to retail at more than 20 cents each	3.00	6.50	10.00
Cigars weighing **not** more than 3 pounds per 1,000	.75	.87½	1.00
Cigarettes weighing **not** more than 3 pounds per 1,000	1.25	1.65	2.05
Cigarettes weighing more than 3 pounds per 1,000	3.60	4.20	4.80
Tobacco, however prepared, manufactured, and sold, or removed for consumption or sale, per pound	.08	.10½	.13
Snuff, however prepared, manufactured, and sold, or removed for consumption or sale, per pound	.08	.10½	.13

*Explanatory of second column: Rates of tax on tobacco, etc., removed from factory or custom house from October 4, 1917, to November 1, 1917, inclusive, payable by stamp—price including half additional taxes imposed.

TAX ON CIGARETTE PAPER AND TUBES

(Taxes effective Nov. 2, 1917.)

Cigarette paper made up in United States or imported, intended for making cigarettes, per package of—

	Rate.
Over 25, but not over 50 papers	$0.00½
50 to 100 papers	.01
Over 100 papers, for each 100 or fraction	.01
Cigarette tubes, for each 100 or fraction	.02

WAR EXCISE TAXES

(Taxes effective Oct. 4, 1917.)

	Rate.
(a) Upon automobiles, automobile trucks, automobile wagons, and motorcycles, sold by the manufacturer, producer, or importer, of the price for which sold	3 per cent
(b) Upon piano players, graphophones, phonographs, talking machines, and records used in connection therewith or with any musical instrument, sold by the manufacturer, producer, or importer, of the price for which sold	3 per cent

(c) Upon moving picture films (which have not been exposed) sold by the manufacturer or importer, per linear foot	¼ of 1 cent
(d) Upon all positive moving picture films (containing a picture ready for projection) sold or leased by the manufacturer, producer or importer per linear foot	½ of 1 cent
(e) Upon all articles commonly or commercially known as jewelry, whether real or imitation, sold by the manufacturer, producer, or importer, of the price for which sold	3 per cent
(f) Upon all tennis rackets, golf clubs, baseball bats, lacrosse sticks, balls of all kinds, including baseballs, footballs, tennis, golf, lacrosse, billiard, and pool balls, fishing rods and reels, billiard and pool tables, chess and checker boards and pieces, dice, games and parts of games, except playing cards and children's games and toys, sold by the manufacturer, producer, or importer, of the price for which sold	3 per cent
(g) Upon all perfumes, essences, extracts, toilet waters, cosmetics, petroleum jellies, hair oils, pomades, hair dressings, hair restoratives, hair dyes, tooth and mouth washes, dentifrices, tooth pastes, aromatic cachous, toilet soaps and powders, or any similar article, or preparation by whatsoever name known, sold by the manufacturer, producer, or importer, of the price for which sold	2 per cent
(h) Upon all pills, tablets, powders, tinctures, troches, or lozenges, syrups, medicinal cordials or bitters, anodynes, tonics, plasters, liniments, salves, ointments, pastes, drops, etc., and all medicinal preparations, compounds whatsoever, the manufacturer or producer of which claims to have any private formula for making or preparing the same or claims to have any exclusive right or title to the making or preparing the same or letters patent or trade mark or are held out or recommended to the public as proprietary medicines or medicinal proprietary articles or preparations or remedies or specifics for any disease, sold by the manufacturer, producer or importer, of the price for which sold	2 per cent
(i) Upon all chewing gum or substitute thereof, sold by the manufacturer, producer, or importer, of the price for which sold	2 per cent
(j) Upon all cameras sold by the manufacturer, producer, or importer, of the price for which sold	3 per cent

On all articles enumerated in subdivisions (a), (b), (e), (f), (g), (h), (i), and (j) held on hand Oct. 3, 1917, and intended for sale by other than a retailer who is not also a wholesaler or by the manufacturer, producer, or importer, a tax equivalent to one-half of the tax imposed by such subdivisions.

Upon all yachts, pleasure boats, power boats, motor boats with fixed engines, and sailing boats, of over 5 net tons, length—

Not over 50 feet, for each foot	$0.50
Over 50 feet and not over 100 feet, per foot	1.00
Over 100 feet, per foot	2.00
Motor boats of not over 5 net tons with fixed engines	5.00

WAR STAMP TAXES

Act of Oct. 3, 1917.

(In effect on and after Dec. 1, 1917.)

	Rate.
1. Bonds, debentures, or certificates of indebtedness issued by any person, corporation, partnership, or association on each $100 of face value or fraction thereof	$0.05
2. Indemnity and surety bonds	.50
Where premium is charged for the execution of such bond, on each dollar or fractional part thereof, 1 per cent.	
3. Capital stock issue: On each original issue of certificates of stock, whether on organization or reorganization, on each $100 of face value or fraction thereof	.05
Capital stock issued without face value, on each $100 of actual value or fraction thereof, per share	.05
4. Capital stock, sales or transfers: On all sales, or agreements to sell, or memoranda of sales, or deliveries of or transfers of legal title to shares	

or certificates of stock of any association, company or corporation, on each $100 of actual on face value or fraction thereof	.02
5. Produce, sales of, on exchange: Upon each sale, agreement of sale, or agreement to sell any products or merchandise at any exchange or board of trade or similar place for future delivery, for each $100 in value of the merchandise covered	.02
And for each additional $100 or fraction thereof	.02
6. Drafts or checks payable otherwise than at sight or on demand, promissory notes, except bank notes issued for circulation, and for each renewal of the same, for a sum not exceeding $100	.02
And for each additional $100 or fraction thereof	.02
7. Conveyances: Deed, instrument, or writing conveying lands, tenements, or other realty sold, etc., value over $100 and not exceeding $500	.50
For each additional $500 or fractional part thereof	.50
8. Entry of goods, wares, or merchandise at any customhouse, not exceeding $100 in value	.25
Exceeding $100 and not exceeding $500 in value	.50
Exceeding $500 in value	1.00
9. Entry for the withdrawal of goods or merchandise from customs-bonded warehouses	.50
10. Passage tickets, one way or round trip, for each passenger, sold or issued in the United States for passage by vessel to places not in the United States, Canada, or Mexico, costing not exceeding $30	1.00
More than $30 and not exceeding $60	3.00
More than $60	5.00
(Passage tickets costing $10 or less exempt.)	
11. Proxy for voting at any election of officers of any incorporated company or association, except religious, charitable, fraternal, or literary societies, or public cemeteries	.10
12. Power of attorney	.25
Exemption: Papers used in the collection of claims for pensions, back pay or bounty, or for property lost in the military or naval service, or in bankruptcy cases.	
13. Playing cards: Upon every pack containing not more than 54 cards, in addition to tax imposed under existing law (effective Oct. 4, 1917)	.05
14. Parcel-post packages, where the postage amounts to 25 cents or more, for each 25 cents or fractional part thereof	.01

MISCELLANEOUS TAXES NOT PAYABLE BY STAMP

	Rate of Tax.
Circulation issued by any bank, etc., or person (except a national bank taxed under sec. 5214, Rev. Stat., and sec. 13, act of Mar. 14, 1900), per month	1/12 of 1 per cent
Circulation (except national banks) exceeding 90 per cent of capital, in addition, per month	1/6 of 1 per cent
Banks, etc., on amount of notes of any person, State bank, or State-banking association, used for circulation and paid out	10 per cent
Banks, etc., bankers, or associations, on amount of notes of any town, city, or municipal corporation paid out by them	10 per cent
Every person, firm, association, other than national banking associations, and every corporation, State bank, or State-banking association, on the amount of **their own notes** used for circulation and paid out by them	10 per cent
Every such person, firm, association, corporation, State bank, or State-banking association, and also every national-banking association, on the amount of notes of any person, firm, association, other than a national-banking association, or of any corporation, State bank, or State-banking association, or of any town, city or municipal corporation, used for circulation and paid out by them	10 per cent

WAR TAX ON ADMISSIONS AND DUES

(In effect Nov. 1, 1917.)

	Rate of Tax.
Admissions to any place:	
For each ten cents paid or fractional part thereof	$0.01
Where admission is charged for children under 12 years of age, in every case	.01
For permanent use of boxes or seats in an opera house or any place of amusement or a lease for use of such box or seat in such opera house or place of amusement, of price for which similar boxes or seats are sold	10 per cent
Exemption: Where the maximum charge is 5 cents, or in case of shows, rides and other amusements (the maximum charge for admission to which is 10 cents) within outdoor general amusement parks, or in case of admission to such parks.	
Club dues: On amount paid as dues or membership fees, including initiation fees, to any social, athletic or sporting organization, where such dues or fees are in excess of $12 per year	10 per cent
Exemption: In case of any fraternal beneficiary society, order or association, operating under the lodge system.	

WAR TAX ON FACILITIES FURNISHED BY PUBLIC UTILITIES AND INSURANCE

(Effective Nov. 1, 1917.)

On amount paid for freight transportation	3 per cent
On amount paid for express transportation, on each 20 cents or fractional part thereof	$0.01
On amount paid for transportation of persons	8 per cent
Exemptions: Commutation or season tickets for trips less than 30 miles, and transportation the fare for which does not exceed 35 cents.	
Ou amount paid for seats, berths, and staterooms in parlor cars, sleeping cars, or on vessels	10 per cent
On amount paid for transportation of oil by pipe lines	5 per cent
On each telephone, telegraph, or radio message for which a charge of 15 cents or more is imposed	$0.05

INSURANCE

Life insurance:	
Upon each $100 or fractional part thereof of amount of insurance	$0.08
On policies not in excess of $500, issued on the industrial or weekly payment plan, of amount of first weekly premium	40 per cent
Marine, inland and fire insurance: Upon each dollar or fractional part thereof of premium charged	$0.01
Casualty insurance (except bonds taxable under subdivision (2) of schedule A, act of Oct. 3, 1917) upon each dollar or fractional part thereof of premium charged	.01
Exemptions: Policies of reinsurance; policies issued by any person, corporation, partnership, or association, whose income is exempt from taxation under Title I of the act of Sept. 8, 1916.	

SPECIAL TAXES

	Rate of Tax.
Rectifiers of less than 500 barrels a year	$100.00
Rectifiers of 500 barrels or more a year	200.00
Wholesale liquor dealers	100.00
Retail liquor dealers	25.00

Wholesale dealers in malt liquors	50.00
Retail dealers in malt liquors	20.00
Manufacturers of stills	50.00
And for stills or worms manufactured, each	20.00
Brewers:	
Annual manufacture less than 500 barrels	50.00
Annual manufacture 500 barrels or more	100.00
Manufacturers of filled cheese	400.00
Wholesale dealers in filled cheese	250.00
Retail dealers in filled cheese	12.00
Manufacturers of oleomargarine	600.00
Wholesale dealers in oleomargarine artificially colored in imitation of butter	480.00
Wholesale dealers in oleomargarine free from artificial coloration	200.00
Retail dealers in oleomargarine artificially colored in imitation of butter	48.00
Retail dealers in oleomargarine free from artificial coloration	6.00
Manufacturers of adulterated butter	600.00
Wholesale dealers in adulterated butter	480.00
Retail dealers in adulterated butter	48.00
Manufacturers of process or renovated butter	50.00
Manufacturers, packers, or repackers of mixed flour	12.00

SPECIAL TAXES IMPOSED BY THE ACT OF SEPT. 8, 1916

Corporations, for each $1,000 of value of capital stock exceeding $99,000	$ 0.50
Brokers	30.00
Pawnbrokers	50.00
Brokers, customhouse	10.00
Brokers, ship	20.00
Theatres, museums, and concert halls:	
Seating capacity not exceeding 250	25.00
Seating capacity over 250 and not exceeding 500	50.00
Seating capacity over 500 and not exceeding 800	75.00
Seating capacity exceeding 800	100.00
Theatres, museums, and concert halls (cities, towns, or villages of 5,000 population or less): According to seating capacity, one-half of that above stated	12.50 to 50.00
Circuses (one special tax for exhibition within any one State, Territory or District)	100.00
Exhibitions not otherwise provided for (one special tax for exhibitions within any one State, Territory or District)	10.00
Aggregation of entertainments, known as "a street fair" (maximum)	100.00
Bowling alleys and billiard rooms, for each alley or table	5.00

SPECIAL TAXES ON MANUFACTURE OF TOBACCO, CIGARS AND CIGARETTES, TAKING EFFECT JAN. 1, 1917

(Act of Sept. 8, 1916.)

Manufacturers of tobacco:	
Annual sales not over 50,000 pounds	$ 3.00
Annual sales over 50,000 and not over 100,000 pounds	6.00
Annual sales over 100,000 and not over 200,000 pounds	12.00
Annual sales over 200,000 pounds, per 1,000 pounds or fraction	.08
Manufacturers of cigars:	
Annual sales not over 50,000 cigars	2.00
Annual sales over 50,000 and not over 100,000 cigars	3.00
Annual sales over 100,000 and not over 200,000 cigars	6.00
Annual sales over 200,000 and not over 400,000 cigars	12.00
Annual sales over 400,000 cigars, per 1,000 or fraction	.05
Manufacturers of cigarettes, including small cigars not weighing more than 3 pounds per thousand: Per 10,000 cigarettes, including small cigars, or fraction thereof	.03

POSTAL RATES

(Effective Nov. 2, 1917.)

First-class mail matter, except postal cards and drop letters, 3 cents per ounce or fraction thereof.

Drop letters of the first class, 2 cents an ounce or fraction thereof.

Postal cards and private mailing or post cards, 2 cents each.

Publications entered as second-class matter sent by the publisher or news agent:

On the portion devoted to matter other than advertisements, beginning July 1, 1918, 1¼ cents per pound; on and after July 1, 1919, 1½ cents per pound.

On the portion devoted to advertisements the rates are based on the zones of the parcel post system, as follows:

	RATE PER POUND.			
ZONE.	On and after July 1, 1918.	On and after July 1, 1919.	On and after July 1, 1920.	On and after July 1, 1921.
First and second	1¼ cts.	1½ cts.	1¾ cts.	2 cts.
Third	1½ cts.	2 cts.	2½ cts.	3 cts.
Fourth	2 cts.	3 cts.	4 cts.	5 cts.
Fifth	2¼ cts.	3½ cts.	4¾ cts.	6 cts.
Sixth	2½ cts.	4 cts.	5½ cts.	7 cts.
Seventh	3 cts.	5 cts.	7 cts.	9 cts.
Eighth	3¼ cts.	5½ cts.	7¾ cts.	10 cts.

Where the space devoted to advertisements does not exceed 5% of the total space the rate is the same as if the whole of such publication were devoted to matter other than advertisements.

On newspapers and periodicals maintained by and in the interest of religious, educational, scientific, philanthropic, agricultural, labor, or fraternal organizations, not organized for profit, and none of the net income of which inures to the benefit of any private stockholders or individual, the rates shall be, on and after July 1, 1918, 1⅛ cents a pound, and, on and after July 1, 1919, 1¼ cents a pound, irrespective of the zone in which delivered.

Letters written and mailed by soldiers, sailors and marines assigned to duty in a foreign country engaged in the present war may be mailed free of postage.

Where the total weight of any one edition or issue of any publication mailed to any one zone does not exceed one pound, the rate of postage shall be one cent.

QUESTIONS AND ANSWERS ON INCOME TAX

Q. When do I file a return?
A. On or before March 1, 1918.
Q. Where do I file it?
A. With the Collector of Internal Revenue of your district. Any postoffice or bank will tell you the address of the Collector.
Q. Must I send money with the return?
A. You may do so, either by check, cash or money order, made payable to "Collector of Internal Revenue."
Q. If I do not send the tax with the return, when do I have to pay it?
A. You can pay it on or before June 15, 1918, but not later than June 15.
Q. Will I be notified of the amount due?
A. Yes, on or before June 1, 1918.
Q. How do I decide whether I must make a return?
A. If your net income for 1917 equaled or exceeded $2000 if you are married or head of a family, or it equaled or exceeded $1000 if you are not married or head of a family, you must make a return.
Q. If my wife or child has separate income how is it returned?
A. If your net income plus the net income of your wife (or husband) and dependent children (if any) amounted to $2000 or more, all such income must be reported, either on one form or on separate forms.
Q. If a dependent child has an income, how is it returned?
A. Include it in the father's or mother's return unless the income is from a separate estate under the control of a guardian or trustee.
Q. If the child's estate is under a guardian, who must make a return of income?
A. The legal representative must file a return.
Q. If a wife has an independent income, can she make separate return?
A. Yes; if the income is large it would be an advantage to do so.
Q. Are two returns required under the two Income tax laws now in effect?
A. No, one return only is required for net incomes of not more than $3000. (Ask for Form 1040A.) If your income exceeded $3000 you will use Form 1040.

Q. What is meant by a 'head of a family"?
A. A "head of a family" is a person who actually supports and maintains one or more individuals closely related to him or her by blood, marriage or adoption.
Q. May a person swear to the return of another?
A. Yes, if the person making return is a minor, or is ill, or absent from the country, or otherwise incapacitated, an agent may execute the affidavit.
Q. If I am taxable and fail to make a return, what is the penalty?
A. For failure to make return on or before March 1, a fine of not less than $20, nor more than $1000, and in addition, 50 per cent of the tax due;
For making a false or fraudulent return, a fine not exceeding $2000, or not exceeding one year's imprisonment, or both, and in addition 100 per cent of the tax levied;
For failure to pay when due, 5 per cent of the amount unpaid, plus 1 per cent interest a month until paid.
Q. Must I specify from whom I receive my income?
A. Yes; if salary, wages, commissions or bonuses, paid to yourself, your wife (or husband) or child by any one employer amounted to $800 or more, you must report it, giving your occupation and employer's name and address.
Q. Are salaries paid by States, counties, cities, etc., reported?
A. No; they are exempt from tax.
Q. Are gifts reported as income?
A. No, unless made as a consideration for service rendered.
Q. May I report expenses incurred instead of expenses paid?
A. Yes, under certain conditions. If your income is from business, farming or a profession, you can keep books showing income accrued, you may report such income instead of cash received, and may report expenses incurred instead of expenses paid.
Q. How must I report cash received from sales of land, buildings, stocks, bonds, etc.?
A. If such sales formed part of your regular business, report them under that head; if not, then under transactions **not** forming part of your regular business.
Q. What deduction is allowed for wear and tear of buildings, machines, or other equipment used in farming or in business?
A. Wear and tear not offset by repairs, may be added to the actual cost of repairs during the year. Wear and tear should not exceed cost of property, divided by its probable life in years.
Q. Shall I report wear and tear or repairs of dwellings, or of household equipment?
A. No.
Q. Is any deduction allowed for decrease in value of land, stocks, bonds and other securities?
A. No.
Q. Are losses by fire, storm, other casualties, or theft deductible?
A. Yes, but only to the extent such losses are not covered by insurance, or made good by repairs reported as expenses.
Q. How do I report increases and decreases in stocks of goods on hand?
A. If you made inventory on January 1, 1917, and on January 1, 1918, you should add to cash received the increase in the amount of the inventory; or should add to expenses and losses the decrease. Stocks on hand should be listed at cost, or market price if below cost.
Q. May I include cost of business equipment or furniture or living or family expenses?
A. No.
Q. May I include as expenses or losses bad debts arising from sales?
A. No; not unless the income from such sales is reported in your 1918 return, or was previously reported.
Q. May I deduct interest on my investment in my business, or farm, or salary for my own services, or the services of my family?
A. No; not unless you enter those items as income elsewhere in the same return.
Q. If a tenant rents my farm on shares when do I report my share as income?
A. For the year in which sold.
Q. If he rents it on a cash basis and I accept payment in crops, how do I report?
A. You report as cash or equivalent received.
Q. In my return for 1917 may I deduct as an expense the cost of running my farm in 1917, when the crop is still unsold on January 1, 1918?
A. Yes.
Q. May I deduct the cost of farm machinery as expense?
A. No; but these expenditures would be counted as capital in figuring Excess Profits tax.